

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SS-15 L-03 H-03 NSC-10 SPC-03 PA-03

PRS-01 USIA-15 CIAE-00 INR-10 NSAE-00 RSC-01 EB-11

COME-00 STR-08 OMB-01 FCSC-01 TRSE-00 INT-08 SCS-03

SCA-01 DRC-01 EURE-00 /124 W
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P R 251605Z SEP 73

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC PRIORITY 5149

INFO AMEMBASSY WARSAW

C O N F I D E N T I A L 2277

WARSAW FOR JOHN BAKER

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ

SUBJECT: CLAIMS NEGOTIATIONS SESSION 7

REF: PRAGUE 2267

1. BEGIN SUMMARY. DELEGATIONS TOOK UP OTHER ELEMENTS OF AGREEMENTS UNDER SURPLUS PROPERTY AGREEMENT. CZECHS MOVED AWAY FROM DIRECT LINK BETWEEN MFN AND CLAIMS AGREEMENT AND PROPOSED THAT CZECH DELEGATION VISIT US IN NOVEMBER TO DISCUSS FUTURE BILATERAL TRADE IN GENERAL TERMS. END SUMMARY.

2. AT SEPTEMBER 25 NEGOTIATING SESSION, CHIEF OF CZECHO-SLOVAK DELEGATION (ZANTOVSKY) AND MINISTER OF FINANCE OFFICIAL (PAVELKA) PRESENTED CZECH TERMS FOR SETTLEMENT OF BLOCKED AND VESTED ASSETS IN US. AGREEMENT, THEY SAID, SHOULD INCLUDE NOT ONLY UNBLOCKING OF \$1.6 MILLION IN BLOCKED BANK ACCOUNTS BUT ALSO TAKE INTO ACCOUNT \$1 MILLION TAKEN IN ZIVNOSTENSKA/AUGSTEIN BANK CASE AND \$700,000 WHICH CZECHO-SLOVAKIA PAID FOR MACHINERY IN US FOR WHICH EXPORT LICENSES WERE NEVER GRANTED AND WHICH HAD BEEN SOLD FOR SCRAP. SUMS COULD EITHER BE USED IN SETTLEMENT OF CZECH PAYMENT OR
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RELEASED DIRECTLY TO CZECHS. US DELEGATION SAID THAT IT

PLANNED FOR AGREEMENT TO CONTAIN PROVISION IN WHICH EACH SIDE AGREED TO UNBLOCK ASSETS AND THAT EACH SIDE WOULD THEN RECOVER ITS ASSETS ACCORDING TO APPLICABLE LOCAL LAW. SINCE ZIVNOSTENSKA CASE HAD BEEN RESOLVED SINCE 1964 NEGOTIATIONS, USG DID NOT REGARD IT AS ACTIVE MATTER. CHARGE SAID THAT HE WOULD REPLY TO INQUIRY ON \$700,000 AND IN DETAIL ON ZIVNOSTENSKA CASE AFTER CONSULTING RECORDS.

3. AFTER REVIEWING HISTORY OF SURPLUS PROPERTY AGREEMENT FROM CZECH STANDPOINT, ZANTOVSKY SAID THAT CZECHS WERE WILLING TO PAY \$4.9 MILLION PRINCIPAL AFTER AGREEMENT WAS REACHED ON METHOD OF PAYMENT IN SPIRIT OF 1946 AGREEMENT. HE THEN REFERRED AGAIN TO EMBASSY'S 1970 AIDE MEMOIRE CONCERNING RESUMPTION OF SURPLUS PROPERTY PAYMENTS IN CZECHOSLOVAK CROWNS OR PROPERTY AND SAID THAT GOC WAS INTERESTED IN THIS PROPOSAL. CHARGE SAID THAT PRINCIPAL AND INTEREST, NOT JUST PRINCIPAL, WERE DUE AND PAYABLE UNDER TERMS CONTAINED IN ORIGINAL AGREEMENT. HE SAID HE WOULD TAKE NOTE OF CZECH PROPOSAL ON REPAYMENT IN CROWNS OF PROPERTY WITHOUT MAKING ANY COMMITMENT TO ACT ON IT(SEE SEPTTEL).

4. ZANTOVSKY INDICATED THAT CZECH DELEGATION HAD ABANDONED ATTEMPT TO OBTAIN DIRECT LINK BETWEEN CLAIMS AGREEMENT AND MFN OR TO HAVE PARALLEL TALKS ON TRADE AGREEMENT. HE SAID THAT GGF PREPARED TO SEND DELEGATION TO WASHINGTON TO DISCUSS FUTURE OF US-CZECHOSLOVAK TRADE IN GENERAL TERMS(SEE SEPTTEL.)

WORTZEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 25 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973PRAGUE02277
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS WORTZEL
Errors: N/A
Film Number: n/a
From: PRAGUE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730912/aaaaainv.tel
Line Count: 90
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: PRAGUE 2267
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 07 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Sep-2001 by rowellE0>; APPROVED <17-Sep-2001 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CLAIMS NEGOTIATIONS SESSION 7
TAGS: PFOR, EFIN, CZ
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005